

Message Text

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DRAFTED BY EB:ORF:FSE:SWBOSWORTH:LER

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY OTTAWA

AMEMBASSY OSLO

AMEMBASSY HELSINKI

AMEMBASSY MADRID

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY REYKJAVIK

AMEMBASSY PARIS

AMEMBASSY COPENHAGEN

AMEMBASSY VIENNA

AMEMBASSY DUBLIN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BERN

AMEMBASSY STOCKHOLM

AMEMBASSY ATHENS

AMEMBASSY ANKARA

USMISSION OECD PARIS

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AMEMBASSY WELLINGTON

AMEMBASSY CANBERRA

C O N F I D E N T I A L STATE 281468

E.O. 11652: GDS
ENRG
TAGS: ENRG

SUBJECT: IEA: GOVERNING BOARD DISCUSSION OF LONG-TERM
COOPERATION

1. AT DECEMBER 18-19 MEETING OF IEA GOVERNING BOARD,
CHAIRMAN OF STANDING-GROUP ON LONG TERM COOPERATION
(BOSWORTH) REPORTED ON RESULTS OF FIRST TWO MEETINGS OF
SLT. FOLLOWING IS SUMMARY OF GOVERNING BOARD DISCUSSION
OF LONG-TERM COOPERATION AND DECISIONS TAKEN.

2. CONSERVATION: INITIAL COLLATION OF ESTIMATED IMPACT
OF EXISTING AND IMMEDIATELY PLANNED NATIONAL CONSERVATION
MEASURES COMPLETED BY CONSERVATION SUB GROUP ON DECEMBER
16 REVEALED THAT IEA PROJECTED IMPORTS FOR 1975 TOTAL
21.77 MMBD. THIS REPRESENTS 5.7 MMBD REDUCTION AGAINST
BASELINE OF ACTUAL 1973 IMPORTS PLUS TWO YEARS AVERAGE
GROWTH (BASED ON 1968-73). AGAINST BASELINE OF 1975
PROJECTED IMPORTS INCLUDING PRICE EFFECTS BUT EXCLUDING
CONSERVATION MEASURES, IT REFLECTS SAVING OF JUST OVER
1 MMBD. IEA PROJECTED IMPORTS FOR 1975 THUS ARE
APPROXIMATELY 0.25 MMBD LESS THAN ACTUAL 1973 IMPORTS.
IT WAS ALSO NOTED THAT MANY OF THE CONSERVATION MEASURES
RECENTLY ADOPTED WILL HAVE PROGRESSIVELY SHARPER IMPACT
AND THUS SAVINGS FOR IEA AS A GROUP WILL BE CONSIDERABLY

GREATER AT END OF 1975 THAN THE AVERAGE FOR YEAR AS
A WHOLE.

3. US DEL (ENDERS) STRESSED THAT INITIAL COLLATION
INDICATES THAT GROUP MUST GIVE SERIOUS ATTENTION TO MORE
RIGOROUS CONSERVATION FOR 1975 BOTH FOR OBVIOUS ECONOMIC
REASONS AND TO ENSURE THAT WE ARE IN STRONGEST POSSIBLE
POSITION VIS-A-VIS THE PRODUCERS. US IS CURRENTLY
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EXAMINING ADEQUACY OF ITS EXISTING CONSERVATION PROGRAM
AND PRESIDENT IS EXPECTED TO ANNOUNCE MAJOR DECISIONS
IN THIS AREA WITHIN NEXT FEW WEEKS. GOVERNING BOARD
AGREED TO LOOK AT COLLATION EXERCISE AGAIN AT NEXT
MEETING IN LIGHT OF CRITERIA FOR CONTINUING COOPERATION
IN CONSERVATION NOW BEING DEVELOPED BY SLT.

4. REDUCED DEPENDENCY: BOSWORTH REPORTED ON SLT WORK
ALREADY IN PROGRESS TO CREATE COMMON PROGRAMS AND
COOPERATIVE EFFORT IN SUPPORT COMMITMENT CONTAINED IN
CHAPTER VII OF IEP REGARDING REDUCTION OF GROUP'S
DEPENDENCY ON IMPORTED OIL.

5. CONSERVATION SUB-GROUP WILL MEET ON JANUARY 13-14 UNDER US CHAIRMANSHIP (BAKHE) TO CONTINUE EXAMINATION OF 1975 PROGRAM AND TO FORMULATE PROPOSALS FOR CONTINUING COOPERATION IN CONSERVATION. SUB-GROUP WILL REPORT TO SLT ON:

(A) THE FEASIBILITY AND DESIRABILITY OF ESTABLISHING SPECIFIC IEA OBJECTIVES FOR THE REDUCTION IN THE RATE OF GROWTH OF ENERGY CONSUMPTION;

(B) WAYS TO MINIMIZE THE ADVERSE IMPACT OF CONSERVATION ON OVERALL ECONOMIC ACTIVITY. THE SUB-GROUP WILL CONSIDER THE CONVENING A SPECIAL GROUP OF EXPERTS TO EXAMINE THIS QUESTION;

(C) CRITERIA WITH WHICH TO EVALUATE THE RELATIVE CONSERVATION EFFORTS OF THE MEMBER COUNTRIES;

(D) THE DEVELOPMENT OF SYSTEMATIC PROCESS FOR THE REGULAR REVIEW AND EVALUATION OF NATIONAL CONSERVATION PROGRAMS;

(E) THE DESIRABILITY AND FEASIBILITY OF CONSTITUTING CONSERVATION OBJECTIVES AND MEASURES AS BINDING OBLIGATIONS ON GOVERNMENTS; AND

(F) RECOMMENDATIONS FOR THE APPLICATION OF THE PRINCIPLES AND MEASURES ENVISIONED ABOVE TO THE 1975 CONFIDENTIAL

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CONSERVATION EFFORTS OF IEA MEMBERS.

6. WITH REGARD TO THE ACCELERATED DEVELOPMENT OF NEW ENERGY, BOSWORTH REPORTED SLT CONCLUSION THAT IEA COOPERATION IN THIS AREA SHOULD BE SECOND MAJOR LEG OF EFFORT TO REDUCE DEPENDENCY AND OUTLINED WORK PROGRAM NOW UNDERWAY. US DEL PRESENTED BRIEF PAPER STRESSING NEED TO ASSURE MAXIMUM INVESTMENT IN NEW ENERGY AND DESCRIBING PROBLEM OF DOWNSIDE RISK AS POTENTIAL CONSTRAINT ON INVESTORS. STRESSING THAT WE NOT REPEAT NOT MAKING FORMAL PROPOSAL, US DEL ADVISED FOR COMMENT BY OTHER DELEGATIONS A SET OF PRINCIPLES WHICH WOULD SERVE AS BASIS FOR IEA COOPERATION.

(A) THAT IEA COUNTRIES COULD COMMIT THEMSELVES FOR FIXED PERIOD OF YEARS TO PROTECT DOMESTIC ENERGY SOURCES AGAINST ARBITRARY PRICING POLICIES EFFECTING OIL AND GAS IMPORTED INTO THEIR TERRITORIES; AND

(B) THAT IEA COULD ESTABLISH FOR THOSE WHO WISH TO PARTICIPATE A COMMON FACILITY TO PROMOTE THROUGH SELECTIVE MEASURES (E.G., INVESTMENT, INSURANCE, LONG-TERM SUPPLY

CONTRACTS, ETC) THE DEVELOPMENT OF HIGHER COST ENERGY SUCH AS SYNTHETICS, SHALE, ETC.

7. R AND D: BOSWORTH REPORTED THAT R AND D SUB-GROUP UNDER FRG CHAIRMANSHIP (SCHMIDT-KUSTER) WILL HOLD FIRST MEETING ON JANUARY 6 AND WILL PROCEED IMMEDIATELY TO DEVELOP COOPERATIVE PROJECTS IN 10 AREAS IDENTIFIED BY ECG AD HOC GROUP ON R & D. DAVIGNON STRESSED THAT TIME FOR PHILOSOPHIC DISCUSSION OF MERITS OF R AND D COOPERATION HAS NOW PASSED AND THAT WE MUST NOW GET ON WITH CONCRETE PROJECTS.

8. ENRICHED URANIUM SUPPLY : SLT SUB-GROUP ON ENRICHED URANIUM SUPPLY WILL HAVE ITS FIRST MEETING ON JANUARY 7 TO ORGANIZE WORK PROGRAM AND ELECT ITS CHAIRMAN (UK CURRENTLY CONSIDERING WHETHER IT CAN TAKE THE CHAIR WITH EC COMMISSION REP AS POSSIBLE SECOND CHOICE. SUB GROUP CHARGED WITH MAKING SUPPLY AND DEMAND FORECAST AND, ON BASIS OF THE FORECAST, PREPARING RECOMMENDATIONS
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HOW FUTURE ENRICHED URANIUM REQUIREMENTS OF IEA MEMBERS AND OTHER COUNTRIES CAN BE SATISFIED.

9. RELATIONS WITH PRODUCERS: REFERRING TO EARLIER GOVERNING BOARD DISCUSSIONS OF PREPARATIONS FOR PRODUCER/CONSUMER CONFERENCE, US DEL REITERATED THAT CONSUMER POSITION ON PRICE QUESTION MUST EVOLVE FROM CONSUMER DECISIONS ON COOPERATIVE EFFORT TO REDUCE DEPENDENCY ON IMPORTED OIL SINCE THESE WILL HAVE FUNDAMENTAL EFFECT ON MEDIUM-TERM SUPPLY/DEMAND BALANCE OF OPEC OIL. IN HIS ORAL SUMMATION OF GOVERNING BOARD DISCUSSION OF LONG-TERM COOPERATION, DAVIGNON STRESSED THAT THIS LINK BETWEEN REDUCED DEPENDENCY AND CONSUMER POSITION ON PRICE IS A CENTRAL ELEMENT OF APPROACH TO NEGOTIATIONS WITH PRODUCERS AND DIRECTED THAT SLT ADDRESS THIS QUESTION SPECIFICALLY AT ITS JANUARY 23-24 MEETING.

10. FOLLOWING IS TEXT OF GOVERNING BOARD'S FORMAL CONCLUSIONS ON LONG-TERM COOPERATION AND INSTRUCTIONS TO SLT:

THE GOVERNING BOARD:

(A) AGREED THAT THERE WAS NO NEED TO DISTINGUISH BETWEEN MEMBERS' IMMEDIATE SHORT TERM CONSERVATION PROGRAMMES AND LONGER TERM GROUP CONSERVATION EFFORTS SINCE THE FORMER IS AN INTEGRAL PART OF THE LATTER;

(B) AGREED THAT THE AGENCY SHOULD DEVELOP UNDER-STANDABLE AND REALISTIC CONSERVATION OBJECTIVES RESULTING

IN A REDUCTION OF OIL IMPORTS IN RELATION TO FORMER EXPECTATIONS;

(C) REQUESTED THE CHAIRMEN OF THE STANDING GROUP ON EMERGENCY QUESTIONS AND LONG TERM COOPERATION TO COORDINATE THE WORK OF THE TWO STANDING GROUPS IN ORDER TO AVOID THE POSSIBILITY OF CONSERVATION EFFORTS UNNECESSARILY PENALISING A COUNTRY'S ABILITY TO MEET ITS DEMAND RESTRAINT OBLIGATIONS IN THE EMERGENCY PROGRAMME, CONFIDENTIAL

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AND TO REPORT ON THIS SUBJECT TO THE NEXT MEETING OF THE GOVERNING BOARD

(D) AGREED THAT IN DEVELOPING CONSERVATION OBJECTIVES CONSIDERATION SHOULD BE GIVEN TO A MEANS FOR THE EQUITABLE SHARING OF THE RESULTING BURDEN, IN A GENERAL WAY, WHICH WOULD NOT RELY UPON SOPHISTICATED FORMULAE

(E) AGREED THAT ON-GOING CONSERVATION EFFORTS OF THE GROUP SHOULD INCLUDE NOT ONLY REDUCTIONS IN CONSUMPTION BUT ALSO OTHER MEANS WHICH MIGHT DERIVE FROM THE APPLICATION OF CURRENT OR FUTURE TECHNOLOGY

(F) REQUESTED THE STANDING GROUP ON LONG TERM COOPERATION TO PREPARE FOR MORE DETAILED CONSIDERATION BY THE GOVERNING BOARD AT ITS NEXT MEETING A REPORT ON THE FOLLOWING TOPICS;

(1) ITS FURTHER EVALUATION OF MARKET IMPACT OF GROUP CONSERVATION MEASURES ON THE GROUP'S IMPORTED OIL CONSUMPTION IN 1975 AND HOW THIS EFFORT CAN BE INTENSIFIED;

(2) IDENTIFICATION OF APPROPRIATE GROUP CONSERVATION OBJECTIVES AND COMMITMENTS FOR THE LONGER TERM;

(3) THE CONCRETE MEASURES WHICH COULD BE ADOPTED FOR THE REALIZATION OF THE OBJECTIVES TO BE AGREED UNDER (1) AND (2) ABOVE WITH DUE CONSIDERATION TO A GENERALLY EQUITABLE SHARING OF THE BURDENS.

(G) NOTED THE INTENTION OF THE CHAIRMAN OF THE STANDING GROUP TO PRESENT TO THE NEXT MEETING OF THE STANDING GROUP A PAPER ON INVESTMENT ASPECTS OF DEVELOPING ALTERNATIVE ENERGY SOURCES AND THAT THE STANDING GROUP WILL REPORT TO THE BOARD THEREON AT ITS NEXT MEETING

(H) R AND D

(A) NOTED THAT THE SUB-GROUP ON RESEARCH AND DEVELOPMENT WILL MEET ON JANUARY 6, 1975 UNDER THE

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CHAIRMANSHIP OF MR. SCHMIDT-KUESTER AND WILL REPORT TO
THE STANDING GROUP AT ITS NEXT MEETING ON JANUARY 23
AND 24, 1975.

(B) AGREED THAT THIS SUB-GROUP AND THE STANDING
GROUP WILL CONSIDER SPECIFIC R AND D PROPOSALS IN ORDER
TO ACHIEVE CONCRETE MEASURES FOR AGENCY COOPERATIVE
R AND D PROGRAMMES BOTH IN THE LONG AND NEARER TERMS;
AND THAT PAPERS PRESENTING THESE SPECIFIC PROPOSALS BE
PREPARED IN TIME TO ALLOW THOROUGH REVIEW IN CAPITALS
SO THAT THE BOARD IS ABLE TO MAKE SPECIFIC DECISIONS
AT ITS NEXT MEETING IN FEBRUARY. KISSINGER

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EC BRUSSELS

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